
Appendix B: Summary of Changes to the BHCPR

This appendix describes the significant changes to the *Bank Holding Company Performance Report* since the publication of the March 1998 edition of the manual.

Summary of Changes to the March 1999 BHCPR

Minor revisions to the Bank Holding Company Performance Report (BHCPR) since the March 1998 version resulted primarily from changes implemented in the FR Y-9C and LP (Consolidated Financial Statements for Bank Holding Companies and Parent Company Only Financial Statements for Large Bank Holding Companies, respectively), amendments to the risk-based capital standards effective August 26, 1998, and the introduction of a new accounting standard for derivatives. The narrative below describes the major factors underlying the BHCPR changes and the specific BHCPR pages affected.

Report Form Changes

Revisions to the March 1998 FR Y-9C and LP reports consist of the collection of new items relating to amendments in risk-based capital standards (effective August 1998) and to the implementation of new accounting treatment for derivative instruments. Additional revisions reflect discontinuation of reported data pertaining to high-risk mortgage securities.

1. In Schedule HC (Consolidated Balance Sheet), line 10.b.(1), include Nonmortgage servicing assets in the existing line for "Purchased credit card relationships." The new line item is entitled "Purchased credit card relationships and nonmortgage servicing assets." Add a new line, "Accumulated net gains (losses) on cash flow hedges," as new item 27.f in the equity capital section of the balance sheet. This item reflects the accumulated gains (losses) associated with cash flow hedges that must now be disclosed under FAS 133.
2. In HC-A (Securities), eliminate the reporting requirements of memoranda item 5, "High-risk mortgage securities." In addition, add a new line, "Amount of net unrealized holding gains on available-for-sale

equity securities (included in Tier 2 and total capital ratios)" to reflect revisions in risk-based capital standards effective August 1998. This information is reported in new memoranda item 4.c.

3. In HC-I (Risk-Based Capital), eliminate the reporting requirements of memoranda item 7.a, "Purchased credit card relationships: Discounted value." Report both the fair value of purchased credit card relationships and nonmortgage servicing assets in line item 7, labeled as "Fair value of purchased credit card relationships and nonmortgage servicing assets."
4. In HI (Consolidated Income Statement), add a new item, "Effect of adopting FAS 133, Accounting for Derivative Instruments and Hedging Activities." This item is reported in line 8.a.(1) of the memoranda section.
5. In HI-A (Changes in Equity Capital), add an item, "Change in accumulated net gains (losses) on cash flow hedges," to satisfy the disclosure requirements of FAS 133. Bank holding companies now report the year-to-date change in accumulated gains (losses) associated with cash flow hedges in the changes in equity schedule as new item 13.b. Existing item 13 on Schedule HI-A has been renumbered as item 13.a.
6. On Schedule PC (Parent Company Only Balance Sheet), an item has been added to record "Accumulated gains (losses) associated with cash flow hedges" to satisfy disclosure requirements of FAS 133. This item is reported as item 20.f in the equity section of the balance sheet.

Other Developments

To facilitate comparison of the performance of bank holding companies that elected Subchapter S tax status

with the performance of other bank holding companies within each peer group, certain modifications have been made to the way in which ROAA and the Dividend Payout ratios are computed for these firms. In particular, where the bank holding company reports both positive earnings and dividends, net income and dividends have been adjusted downward by 35 percent (i.e., the assumed federal income tax rate) to standardize income and dividends.

BHCPR Report Format Changes

The revisions to the individual and peer group report page layouts (as a result of the above changes) are described below.

BHCPR Page 4—Non-Interest Income and Expense

On this page, the item "Deposit Service Charges" has been renamed "Service Charges, Commissions, and Fees" to better reflect the nature of the non-interest income (i.e., service charges on deposit accounts and other service charges, commissions, and fees) included in the corresponding surveillance ratio (SR058).

BHCPR Page 5—Assets

On this page the item "High-risk mortgage securities, fair value" has been eliminated from the memoranda section.

BHCPR Page 6—Liabilities and Changes in Capital

On this page the item "Accumulated gains (losses) on cash flow hedges" has been added as a capital component. Also, an item "Changes in gains (losses) on cash flow hedges" has been added to the changes in equity capital section.

BHCPR Page 8—Liquidity and Funding (Peer Group Page 6)

On this page, the two items related

to high-risk mortgage securities have been deleted.

BHCPR Page 14—Risk-Based Capital

Modification of six line items on page 14 (Risk-Based Capital) to reflect better the changes to risk-based capital standards effective August 1998. These modifications are as follows:

1. Consolidate excess amounts of mortgage servicing assets (MSA), purchased credit card relationships (PCCR), and non-mortgage servicing assets (NMSA) into one line ("Amount of MSA, PCCR, and NMSA Above Regulatory Limit") which is deducted from Permanent Core Capital in computing Tier 1 capital.
2. Add a line item, "Eligible Net Unrealized Gains on AFS Equity Securities" to reflect the 45 per-

cent unrealized gains on marketable equity securities now allowable as Tier 2 capital.

3. Consolidate excess amounts MSAs, PCCRs, NMSAs, and other ineligible identifiable intangible assets into one line ("Excess MSA, PCCR, NMSA & Identifiable Intangible Assets") which is deducted from the sum of on- and off-balance sheet risk-weighted assets in computing total credit risk-weighted assets.
4. Report net unrealized losses (gains) on available-for-sale equity securities on one line ("Net Unrealized Losses (Gains) on AFS Equity Securities"), that is subtracted from the sum of on- and off-balance sheet risk-weighted assets in computing total credit risk-weighted assets.

5. Add a new line item ("Total Credit Risk-Weighted Assets") that identifies total credit risk-weighted assets, i.e., those on- and off-balance sheet assets that entail credit risk as defined per the capital standards.

6. Revise line item "Purchased Credit Card Relationships" in the memorandum section to read "PCCRs and NMSAs" and to reflect the book value of purchased credit card relationships (PCCRs) and non-mortgage servicing assets (NMSAs).

BHCPR Page 17 – Parent Company Balance Sheet (Peer Group Page 11)

On this page, an item "Accumulated Gains (Losses) on Cash Flow Hedges" has been added to the equity capital section.